

Committee on Ways and Means

Economic Update—May 26, 2005

***Economic data shows continued growth in the first quarter of 2005.
Housing sector continues to expand.***

Gross Domestic Product grew a strong 3.5 percent (annual rate) in the first quarter.

- Corporate profits grew 13.8 percent in the last year, continuing their recent surge. Corporate tax receipts grew 33.8 percent during this time.
- Business investment grew 5.6 percent (annual rate) in the first quarter.
- Exports grew 7.2 percent (annual rate) in the first quarter.

Housing continued to boom in the first quarter, with fixed residential investment growing 8.8 percent.

- The supply of new homes is up 15.2 percent in the last year, while existing home sales were up 4.5 percent in April alone.
- Median prices of existing homes were up 15.1 percent in the last year, a very sizable increase.
- Federal Reserve Chairman Greenspan recently stated that while certain local markets may be experiencing inflated home prices, a national housing bubble does not currently exist.

